

August 27, 2010

George Diehr, Ph.D
Chair of the Investment Committee
California Public Employees Retirement System
400 "P" Street
Sacramento, California 95814

RE: Asset/Liability Management Update Agenda Item (Agenda Item 5)

Dear Chairman Diehr,

Pension Consulting Alliance (PCA) has reviewed the above-referenced agenda item. The item addresses three distinct but interrelated items: Capital Market Assumptions (CMA), Alternative Asset Classifications and Asset/Liability Process and Methodology. PCA supports the Staff's recommendations and encourages the Investment Committee to adopt them.

The Staff's recommendations are the result of a comprehensive and thorough (sometimes contentious) process that included input from The Committee, senior investment staff from all asset classes, consultants and external experts. The recommendations reflect the dynamic nature the capital markets and the evolution of academic and practitioner thought on asset allocation and risk management policy and practice.

We believe that the intent of Agenda Item is clear and consistent with best practices in asset/liability decision-making. Therefore, we support the Recommendations without exception.

Respectfully,



Allan Emkin
Managing Director